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**Secretary Thompson Addresses Committee Questions  
Regarding HHS Funding in President's FY2005 Budget Request  
Nickles Calls to Investigate States' Use of Medicaid Funds**

WASHINGTON –The Senate Budget Committee today heard testimony from Secretary of Health and Human Services Tommy Thompson regarding HHS funding in the President's FY05 Budget proposal, addressing concerns regarding the CBO and CMS scoring difference of the recently-passed Medicare drug bill as well as states' misuse of Medicaid funds.

"I am concerned about the long-term sustainability of paying for programs, especially Social Security and Medicare," Chairman Don Nickles (R-OK) stated during his opening comments. "We must look at future fiscal challenges in this country and see what can be done."

During his testimony, Thompson broke down the \$139 billion difference between the CBO and CMS scoring of the Medicare Prescription Drug bill passed last November, citing an increase in utilization by low-income Americans and higher participation of beneficiaries as the main two reasons for the difference.

"CBO still swears by its \$395 billion," Thompson said. "I don't think you can say our figures are correct and CBO's are not, [the difference] is just in projections."

Senator Jeff Sessions (R-AL) said, "I believe Congress wanted to make a sizable historic step toward meeting the needs of those seniors who cannot afford drugs. We authorized \$400 billion for that purpose, and I'm very distressed that it now appears to go well above that."

Chairman Nickles also called attention to Medicaid spending and states' use of intergovernmental transfers to improperly bump up their federal Medicaid funding.

The Secretary confirmed that HHS is investigating how states use transfers from one government entity to another to enhance their eligibility for federal Medicaid matching funds and mask use of these funds for other purposes.

“I am outraged by this,” said Nickles, “With these deficits we cannot tolerate such abuse. It needs to be stopped, and I want to bring awareness to this problem so that it will be stopped.”

Secretary Thompson revealed that HHS has discovered 34 states are guilty of this practice with improper payments in the range of \$6 billion per year.

The Committee’s next hearing will be Friday, February 13 with Treasury Secretary John Snow. Snow will discuss the President’s FY2005 Budget Request.